

AMENDED IN ASSEMBLY JUNE 25, 1998

AMENDED IN ASSEMBLY JUNE 4, 1998

AMENDED IN SENATE APRIL 29, 1998

AMENDED IN SENATE MARCH 19, 1998

AMENDED IN SENATE MARCH 16, 1998

SENATE BILL**No. 1555**

Introduced by Senator Rosenthal

February 11, 1998

An act to amend Section 779.14 of, and to add ~~Sections 779.34~~
~~and~~ *Section* 779.35 to, the Insurance Code, relating to
insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1555, as amended, Rosenthal. Credit insurance.

Existing law provides that an individual policy or group certificate of credit life insurance or of credit disability insurance or combination thereof shall allow a debtor to rescind the insurance within 10 days of receipt of the policy or certificate or the notice of proposed insurance issued and receive a full refund, or credit, of any premium that has been paid. Existing law requires that right to be disclosed in 10-point type.

This bill would provide that an individual policy or group certificate of credit life insurance or of credit disability insurance or a combination thereof, or a notice of proposed insurance, shall allow an insured to rescind the insurance

within 30 days and receive a refund or credit, as specified, and would require the right to rescind to be disclosed on the face of the policy or certificate or notice of proposed insurance in at least 14-point type and to include additional information.

~~Existing law provides that an owner of a policy of life insurance may cancel the policy during the cancellation period, and provides that cancellation shall void the policy from the beginning, and the parties shall be in the same position as if no policy had been issued. Existing law requires all premiums paid and any policy fee paid for the policy shall be refunded by the insurer to the owner within 30 days from the date that the insurer is notified that the insured has canceled the policy.~~

~~This bill would enact similar provisions applicable to an individual policy or group certificate of credit life insurance and credit disability insurance, and to a notice of proposed insurance.~~

The bill would also require an insurer that bundles more than one type of credit insurance product into a package to include in the application or election of coverage for that credit insurance a statement or notice informing the applicant that he or she is purchasing the separate insurance products included in the package at the applicant's option, and making additional disclosures, as specified. The bill would also require an insurer to orally advise an applicant of the separate credit insurance products being purchased if the insurance is sold over the telephone after the applicant has already entered into a loan or credit transaction or if the loan or credit transaction has already been completed, and would require similar disclosures through solicitation materials if the credit insurance products are sold by direct mail or electronic means.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 779.14 of the Insurance Code is
2 amended to read:



1 779.14. (a) Each individual policy, group certificate,
2 or notice of proposed insurance shall provide that in the
3 event of termination of the insurance prior to the
4 scheduled maturity date of the indebtedness, any refund
5 of an amount paid by the debtor for insurance shall be
6 paid promptly to the person entitled thereto or credited
7 to the next payment or payments due on the
8 indebtedness. However, the commissioner shall
9 prescribe a minimum refund and no refund that would be
10 less than that minimum need be made. The formula to be
11 used in computing that refund shall be filed with and
12 approved by the commissioner.

13 (b) An individual policy or group certificate of credit
14 life insurance or of credit disability insurance or a
15 combination thereof, or a notice of proposed insurance,
16 shall allow an insured to ~~cancel~~ *rescind* the insurance
17 *within 30 days of receipt of the policy or certificate or*
18 *notice of proposed insurance issued pursuant to Section*
19 *779.7 and to receive a full refund, or credit if financed, of*
20 *any premium that has been paid.* The right to ~~cancel~~
21 *rescind* shall be disclosed on the face of the individual
22 policy, group certificate, or notice of proposed insurance
23 in at least 14-point type and shall include the disclosure
24 of the department's toll-free telephone number and
25 other disclosures set forth in Section 510.

26 ~~SEC. 2. Section 779.34 is added to the Insurance Code,~~
27 ~~to read:~~

28 ~~779.34. (a) Each individual policy or group~~
29 ~~certificate of credit life insurance and credit disability~~
30 ~~insurance or notice of proposed insurance subject to this~~
31 ~~article that is initially delivered or issued for delivery in~~
32 ~~this state on and after January 1, 1999, shall have printed~~
33 ~~in a clear and conspicuous manner, as required by~~
34 ~~subdivision (b) of Section 779.14, a statement, disclosure,~~
35 ~~or notice stating that, after receipt of the individual policy~~
36 ~~or group certificate or notice of proposed insurance by~~
37 ~~the insured, the individual policy or group certificate or~~
38 ~~notice of proposed insurance may be canceled by the~~
39 ~~insured. The notification of cancellation may be made to~~
40 ~~the insurer or creditor by means of telephone, mail, hand~~

~~1 delivery, or otherwise during the period specified in the
2 notice. The period of time set forth by the insurer for
3 return of the individual policy or group certificate or
4 notice of proposed insurance by the insured shall be
5 clearly and conspicuously stated and shall begin on the
6 day on which the insured receives the individual policy
7 or group certificate or notice of proposed insurance from
8 the insurer. This period shall not be less than 30 days.
9 Upon cancellation of the individual policy or group
10 certificate or notice of proposed insurance pursuant to
11 this section during the cancellation period, the insurer
12 shall void the individual policy or group certificate or
13 notice of proposed insurance from the beginning, and the
14 parties shall be in the same position as if no individual
15 policy or group certificate or notice of proposed
16 insurance had been issued. All premiums paid and any
17 fees paid for the individual policy or group certificate or
18 notice of proposed insurance shall be refunded or
19 returned pursuant to subdivision (a) of Section 779.14
20 within 30 days from the date that the insurer or creditor
21 is notified that the insured has canceled the individual
22 policy or group certificate or notice of proposed
23 insurance.~~

~~24 (b)~~

~~25 (c) No statement, disclosure, or notice made in
26 accordance with Section 779.14, 779.34, or 779.35 shall be
27 construed to cause the policy forms, certificates of
28 insurance, or notices of proposed insurance, by
29 themselves, to be considered as nonstandard forms as
30 described in Article 6.9 (commencing with Section 2249)
31 of Subchapter 2 of Chapter 5 of Title 10 of the California
32 Code of Regulations.~~

~~33 (e)~~

~~34 (d) This section applies to all policies issued or
35 delivered in this state on or after January 1, 1999. All
36 policies subject to this section that are in effect on January
37 1, 1999, shall be construed to be in compliance with this
38 section, and any provision in any policy which is in
39 conflict with this section shall be of no force or effect.~~

~~40 SEC. 3.~~

1 SEC. 2. Section 779.35 is added to the Insurance Code,
2 to read:

3 779.35. (a) If an insurer bundles more than one credit
4 insurance product into a package, including, but not
5 limited to, credit life insurance, credit disability
6 insurance, or credit unemployment insurance, as defined
7 in subparagraph (C) of paragraph (2) of subdivision (a)
8 of Section 12100, an application or election of coverage for
9 that credit insurance shall also contain, in a clear and
10 conspicuous manner, a statement or notice informing the
11 applicant, at a minimum, that he or she is purchasing the
12 separate insurance products included in the package at
13 his or her option, the *credit insurance* coverage is
14 voluntary and not required, ~~the coverage may be~~
15 ~~canceled, and~~ and the election of *credit insurance*
16 coverage authorizes the insurer to charge for the
17 insurance.

18 (b) If the bundled credit insurance products described
19 in subdivision (a) are sold to an applicant over the
20 telephone after the applicant has already entered into a
21 loan or credit transaction or after the loan or credit
22 transaction has already been completed, the insurer shall
23 orally advise the applicant, at a minimum, that he or she
24 is purchasing the separate insurance products included in
25 the package at his or her option, and that *credit insurance*
26 coverage is voluntary and not required, ~~the coverage may~~
27 ~~be canceled, and~~ and the election of *credit insurance*
28 coverage authorizes the insurer to charge for the
29 insurance.

30 (c) If the bundled credit insurance products described
31 in subdivision (a) are elected by an applicant as a result
32 of direct mail solicitation or obtained through electronic
33 means, such as the Internet, after the applicant has
34 already entered into a loan or credit transaction or the
35 loan or credit transaction is completed, the insurer shall
36 disclose to the applicant through the solicitation material
37 in a statement or notice, at a minimum, that he or she is
38 purchasing separate insurance products included in the
39 package at his or her option, ~~and that the credit insurance~~
40 coverage is voluntary and not required, ~~the coverage may~~

1 ~~be canceled, and~~ *and the* election of *credit insurance*
2 coverage authorizes the insurer to charge for the
3 insurance.

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